

Current
Policy No. 266

FY 1982 Proposals for Security Assistance

March 19, 1981



United States Department of State
Bureau of Public Affairs
Washington, D.C.

U. S. DEPOSITORY DOCUMENT

APR 24 1981

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Following is a statement by James L. Buckley, Under Secretary for Security Assistance, Science and Technology, before the Subcommittee on International Security and Scientific Affairs of the House Foreign Affairs Committee on March 19, 1981.

I appreciate this opportunity to appear before the subcommittee in support of the Administration's legislative and budgetary proposals for security assistance in fiscal year 1982. I would like to stress at the outset that this Administration regards all of our foreign assistance programs as important instruments of U.S. policy abroad. Both security and development assistance serve our long-range interest in stability and in encouraging an international environment conducive to peaceful change. If the increases we are recommending for FY 1982 development assistance over the levels available in this fiscal year are relatively modest in comparison to those we are seeking for security assistance, this should not be construed as any loss of faith in the value of these programs. Rather, it stems from our view that there is an immediate and pressing need to increase the security assistance resources this country is making available to its friends and allies.

Before turning to the details of our security assistance request, I would also like to note that this Administration believes there has been a tendency in the past to overemphasize the differences between security and development assistance and to lose sight of their common goals. Insufficient coordination at times resulted in foreign assistance not

being employed in the most effective manner to support our foreign policy and national security interests. To remedy this situation, Secretary Haig has asked me to assist him in providing overall policy guidance for foreign assistance and to insure that all assistance funds and programs are being employed to our best advantage. To this end, I will coordinate for the Department of State both security assistance and development assistance resource allocations. I will be working closely with the Under Secretary for Economic Affairs who has specific responsibilities in the economic assistance area. This afternoon, however, in accord with your invitation, I am here to discuss the security assistance program.

General Framework

In his appearance yesterday before the full committee, Secretary Haig emphasized the importance which this Administration attaches to security assistance as an integral component of our global defense posture and as a key instrument of our foreign policy [see Current Policy No. 264]. In so doing, he underscored the increasing challenges which the Soviets and their clients have posed to our most important interests—in Southwest and Southeast Asia, Africa, and Central America. Clearly these challenges, as well as those evidenced in the unparalleled buildup of Soviet conventional and nuclear forces over the past decade, cannot go unanswered. To meet these challenges, however, we must not only strengthen our own military forces; we must also give urgent attention to

the security requirements of our friends and allies, whose strength and support constitute major pillars of our own security.

Security assistance programs contribute directly to the security of the United States in a number of specific ways.

- They bolster the military capabilities of our friends and allies, permitting them in some cases to undertake responsibilities which otherwise we ourselves might have to assume. Greece and Turkey are examples of countries whose military forces carry out duties which are crucial to United States security interests, such as contributing to a strong NATO southern flank and stability in the eastern Mediterranean.

- They contribute to the broad cooperative relationships we have established with many nations which permit either U.S. facilities on their territory or access by U.S. forces to their facilities in time of threat to mutual interests. U.S. defense expenditures would be immeasurably higher if we did not have overseas facilities available for emergency situations.

- They help our friends and allies provide for their own defense and furnish tangible evidence of our support for their independence and territorial integrity, thus deterring possible aggression. For example, the prompt and effective assistance we were able to provide Thailand last year undoubtedly helped bolster Thai resolve in the face of the Soviet-supported Vietnamese forces arrayed along that country's eastern frontiers. This was a signal which was not lost on either friend or foe.

- They provide a means of demonstrating U.S. constancy and willingness to stay the course in support of nations whose continued survival constitutes a basic purpose of our foreign policy. Strong and unwavering support for the independence and security of Israel has been a hallmark of U.S. policy from administration to administration.

- They help alleviate the economic and social causes of instability and conflict. This is particularly important for countries whose necessary military expenditures would otherwise impose severe strains on their economies.

It is within this context, then, that the Administration has cast its FY 1982 security assistance requests. Because of the direct relationship of these programs to U.S. security interests, we believe that they must be viewed as an extension of our defense programs and that they should enjoy the same high-priority

funding. As a result, we are recommending significantly increased security assistance programs and funding levels over both the previous administration's request and the FY 1981 levels for these programs.

As in previous years, our FY 1982 budget request will fund five major programs: foreign military sales (FMS) financing, the economic support fund (ESF), the grant military assistance program (MAP), the international military education and training (IMET) program, and peacekeeping operations. Since Department officials representing our regional bureaus are already appearing before appropriate subcommittees in support of individual country program requests, I propose this morning to emphasize the overall scope and purposes of our requests on a program-by-program basis. In addition, I would like to draw your attention to several new features in the budget request and a number of changes which we are recommending in legislation governing these programs in order to improve their effectiveness in furthering our national interests.

FY 1982 Budget Request

For FY 1982, the Administration is requesting authorizations of appropriations of \$4.3 billion to finance security assistance programs totaling \$6.9 billion. This represents a total program increase of 8.4%, and a budget authority increase of 27% over the previous administration's request. As compared to FY 1981 levels, our request constitutes an increase of 30% and 57%, respectively, in program and budget authority.

Foreign Military Sales Financing. Foreign military sales financing assists countries in which we have a security interest to meet their legitimate defense needs through the acquisition of needed defense articles and services, including training. For FY 1982 we are requesting an appropriation of \$1.48 billion to support a total FMS financing program of \$4.05 billion, to be furnished to 38 countries and to provide for one regional program, as compared to an FY 1981 program of \$3.05 billion for 35 countries. New programs are proposed for Yemen, Djibouti, Portugal, the Bahamas, and the eastern Caribbean.

The proposed FY 1982 FMS program consists of three major elements:

- \$2.573 billion which would be extended in the form of loans from the

Federal Financing Bank with repayment guaranteed by the Department of Defense. No new budget authority is required for such guaranties.

- \$500 million in FMS credits for Israel (for which \$500 million in budget authority is requested) on which repayment would be forgiven; and

- \$981.8 million for FMS credits to 15 countries and one regional program at reduced interest rates (for which an equal amount of budget authority is requested).

Direct Credits. Before describing the major FMS country programs which would be funded from this request, I would like to discuss briefly the need for FMS credits at reduced interest rates. As the Congress is aware, FMS financing was largely conceived as a means of assisting developing countries to shift from grant military assistance to cash purchases at a time when they were experiencing substantial economic growth. Until recently, most nations were making steady progress toward this objective.

The rise in oil prices, however, has had a marked impact on economic growth throughout the world. Serious problems are developing as a number of countries amass increasingly large debt obligations to OPEC [Organization of Petroleum Exporting Countries] members and to the industrialized countries. Moreover, there is growing concern among a number of security assistance recipients regarding the additional debt burden they can prudently assume in order to finance needed defense articles and services.

This problem has been further aggravated by the recent increase in interest rates in this country. In the last year, interest rates on FMS-guaranteed loans—which are computed on the basis of the cost of the money to the U.S. Government plus a modest administrative charge—have risen as high as 15%. These two trends—increasing debt burdens among recipient countries and rising Federal Financing Bank interest rates—have combined to produce a situation in which countries with particularly weak economies are facing serious difficulties in financing their purchases through this mechanism.

To deal with this problem and to insure that legitimate security needs are met without further exacerbating economic problems, we are proposing that a portion of the FY 1982 FMS financing program be made available in the form of direct U.S. Government credits. We plan to offer these credits at

a rate of interest as low as 3%. The countries selected, which include Egypt, Sudan, Turkey, Thailand, and Portugal, are those facing particularly difficult economic situations and in which we have important security and foreign policy interests.

Regional Programs. As in previous years, the bulk of our FMS financing program is allocated to countries of the Middle East in support of our major security and foreign policy interests in that important region. The increased levels requested for FY 1982 are also intended as a response to recent Soviet and Soviet-supported moves against Afghanistan, in the Horn of Africa, and in other areas important to the stability of the region. Approximately 57% of the total FMS financing program is slated for Israel and Egypt.

As the primary source of assistance to Israel, the large FMS financing program reflects deep and abiding U.S. support for the independence and security of that country. It has enabled Israel to maintain its defenses at a level necessary to insure its own security. Moreover, this increased security has helped Israel to pursue peace negotiations with Egypt. The proposed FY 1982 FMS financing program of \$1.4 billion would enable Israel to continue to finance its priority military requirements for air defense, high-performance aircraft, armored and tracked vehicles, artillery, missiles, and ammunition. Of this amount, \$500 million would be forgiven, in recognition of the unusually heavy burden which defense expenditures impose upon the Israeli economy. We are confident that, with the proposed assistance, Israel will continue to be able to defend itself against all likely combinations of possible adversaries for the next several years.

For Egypt, which under President Sadat has become a major force for moderation in the Middle East, the proposed FMS program of \$900 million (\$400 million of which will be in the form of credits at reduced interest rates) will assist that country in modernizing its military force to insure its security against significant external threats from Libya and other Soviet-supported sources of instability in the region. I would note that virtually all of these credits will be applied to pay for U.S. equipment ordered in previous years, including F-16 aircraft, air-defense batteries, armored-personnel carriers, and M60A3 tanks, almost wholly intended to replace existing Soviet-origin equipment.

Turkey would receive the third largest FMS program—totaling \$400

million, of which \$250 million would be provided at reduced interest rates in view of the particularly difficult economic situation facing that country. Other major FMS programs are requested for Greece (\$260 million), Korea (\$167.5 million), Spain (\$150 million), Sudan (\$100 million), Tunisia (\$95 million), and Thailand (\$80 million).

Economic Support Fund. The economic support fund allows us to furnish economic assistance in the form of loans or grants to selected countries of special security and political interest to us. ESF can be used to fund commodity import programs, economic infrastructure and other capital projects, balance-of-payment support, and assistance for development projects of more direct impact on the poor. We realize that economic stability is often a basic precondition for political stability.

For FY 1982, we are requesting a total ESF program of \$2.6 billion to fund 30 country and regional programs. This represents an increase of 26% over the FY 1981 level and about 6% over the previous administration's request.

Of this amount, we are requesting \$250 million in unallocated ESF funds for use in responding to unforeseen requirements where such assistance can support important foreign policy objectives. We believe the resulting flexibility to be of the utmost importance in helping meet unforeseen contingencies. It is obviously impossible in March of 1981 to predict all needs that may arise during a fiscal year beginning 7 months from now. In the past, we have had to rely on supplementals or reprogramings to respond to developments unanticipated at the time of our budget requests.

However, experience has shown that neither we nor the Congress have found these procedures to be satisfactory. Supplemental requests are time-consuming and lessen the political and economic impact of our assistance. Reprograming is also a cumbersome process and requires sacrificing one important policy objective for another. For example, in the past 2 years we have had to reprogram to meet important unanticipated ESF needs in Thailand, Liberia, and in countries in the eastern Caribbean, Persian Gulf, and Southwest Asian regions.

Reprogramming becomes even more difficult in fiscal years when most of our programs are earmarked or for compelling policy reasons are otherwise unavailable for reprogramming. In FY 1981, for example, about 87% of our ESF program is earmarked by law. As a result, funds which can be shifted from one purpose to another to respond to unforeseen events are severely limited. It

is, of course, for this reason among others that the executive branch continues to oppose statutory earmarking.

I should note that the Congress itself recognized this problem when last year it adopted an amendment proposed by the distinguished chairman of this committee [Clement J. Zablocki] that makes available for any emergency ESF use up to \$50 million in FY 1981 ESF funds, and permits up to 5% of any earmarked funds to be used for such purpose. Inasmuch as our proposed legislation contains no FY 1982 earmarkings, we do not propose the retention of that provision. Our request for \$250 million in unallocated ESF, rather, builds upon the purpose that that provision was intended to serve, namely, to increase the availability of ESF to meet requirements that cannot be anticipated at the time our annual security assistance programs are formulated and proposed to the Congress. I can assure you that this unallocated ESF would be used only for situations of high priority and in accordance with the substantive and procedural standards of the law, including normal reprogramming notification requirements.

Regional Programs. Turning to our ESF country programs, the majority of funds requested would be used to provide economic assistance to the countries of the Middle East; as has been the case in previous years, Israel and Egypt would receive the largest amounts. The \$785 million ESF program we are requesting for Israel would be in the form of a cash transfer, two-thirds grant and one-third in loans. Israel is expected to use these funds for balance-of-payment support, to procure essential commodities, and to ameliorate conditions which have produced its current, overheated economy. For Egypt, we are requesting an ESF program of \$750 million, also two-thirds in grant and one-third in loans. These funds would be used to finance commodity imports, needed infrastructure improvements, and increased health, education, and transportation services.

Important ESF programs are also requested for Turkey (\$300 million), Sudan (\$50 million), Zimbabwe (\$75 million), the southern Africa program (\$60 million), Jamaica (\$40 million), El Salvador (\$40 million), and the Philippines (\$50 million).

Military Assistance Program. In contrast to previous years, we are proposing no new grant military assistance country programs. Nevertheless, given the growing challenges to our interests in several crucial regions, we wish to re-

tain the flexibility to use such assistance in situations where only it can do the job and which do not meet the criteria for emergency "drawdowns" under Section 506(a) of the Foreign Assistance Act of 1961, as amended.

Accordingly, our MAP budget proposal thus includes, in addition to general costs—which consist of administrative expenses and costs related to the implementation of prior year programs—\$100 million in unallocated funds. These funds will give the President the flexibility to provide grant military assistance in unforeseen situations when diplomatic and political circumstances directly related to U.S. national interests and the economic situation of the proposed recipient so require. As with the ESF special requirements fund, we would, of course, notify Congress of each intended use of these funds in accordance with standard reprogramming procedures, and the assistance to be provided would be furnished in accordance with the substantive authorities and limitations applicable to MAP.

International Military Education and Training Program. In the considered judgment of our Ambassadors abroad, the international military education and training program has been perhaps our most cost-effective security assistance program. We are requesting \$47.7 million for this program in FY 1982, which would allow training and instruction for military and related civilian personnel from 72 countries. This compares to an FY 1981 program of \$28.4 million which provides training for personnel from 63 countries.

Over the years, executive branch officials have stressed the benefits which accrue to the United States as a result of IMET training. This training does far more than upgrade the military capabilities of allied and friendly nations. It also fosters long-range, close, and cooperative relationships with military and civilian leaders in a number of important countries, while exposing them to American democratic values and to the role of a professional military organization under civilian leadership and direction.

This committee's initiative of last year to reduce the tuition rates on IMET training has facilitated the exposure of greater numbers of foreign students to this valuable program. Indeed, these lower training costs have finally stopped the long-term decline in the annual numbers of students trained between FY 1975 and FY 1980 and are helping to restore the program to its full utility at modest cost. Nevertheless, our

identified requirements are clearly expanding, especially in the Persian Gulf region, Central America, the Caribbean, and Southeast Asia. The increased levels we are requesting would meet these requirements by allowing programs for nine more countries than in FY 1981. In addition, they would allow remedial action in programs adversely affected by underfunding in past years.

Peacekeeping Operations. For FY 1982, we are asking \$19 million for the peacekeeping operations program. Of this, \$10 million is requested for the Sinai Support Mission. This level is expected to cover normal operating expenses and the costs of any emergency replacement of equipment through April 1982. It is also expected to cover costs associated with the phase-out of operations when the mission's inspection/verification role terminates in April 1982. The remaining \$9 million would be used to fund the U.S. contribution to help defray costs of the U.N. Forces in Cyprus.

Legislative Proposals

In discussing our FY 1982 budget proposals for security assistance, I noted that the unallocated funds we are requesting under the MAP and ESF accounts are necessary to insure that the United States is able to respond appropriately and in a timely fashion to unanticipated situations which threaten our important security and foreign policy interests. A number of the substantive revisions we have proposed to the Foreign Assistance and Arms Export Control Acts would serve the same purpose, as well as provide for better management of our security assistance programs. I would now like to address our major legislative proposals.

Special Defense Acquisition Fund.

This proposal would create a special account to procure equipment in anticipation of foreign transfer to fulfill requirements of allied and friendly nations, while at the same time minimizing the adverse impact on U.S. force readiness that results from diversion of U.S. service stocks. Funds for use under the new account would come primarily from the proceeds of FMS sales of articles not intended to be replaced in military service stocks, from certain charges required by current law to be imposed on FMS sales, and eventually from the proceeds of sale of articles and services acquired under the new account. We anticipate that up to \$350 million could thereby be available for use

under the account in the first year. While these derived funds could be supplemented by appropriations made for the purpose, we are not requesting any such appropriations at this time.

We now face a serious dilemma when foreign military sales purchasers request or require delivery in less than normal procurement leadtime, which now approaches 3 to 4 years for some items. These requests may stem from serious threat. Either we must turn down the request at the expense of our security interests and those of our friends, or we accede and are forced to divert equipment from U.S. forces. By permitting the advance procurement of equipment likely to be required by foreign purchasers, this proposal would reduce delivery leadtimes, allow more rapid response to the security needs of friends and allies while at the same time protecting U.S. force readiness.

Analysis of our experience over the past 5 years indicates that it is practical to project the need for, and procure, items for which (1) there will be a high demand from foreign purchasers and (2) U.S. service stocks are in short supply. Accordingly, the fund would serve primarily to shorten leadtimes rather than to build up large inventories. We do not expect—nor will we permit—the buildup of inventories, if any, to drive foreign sales. The adverse effect of any future diversions of such items would be minimized since the replacement items would already be on order and could be delivered in a matter of months rather than years. Our consistency and reliability would be enhanced, while at the same time we could take a more rational approach to our own production base.

Section 515—Overseas Management. We are proposing amendment of Section 515 of the Foreign Assistance Act, which governs overseas management of security assistance programs, to provide greater flexibility to manage overseas personnel and meet unanticipated personnel requirements. As you will recall, during the past year, for example, we were unable to assign urgently needed U.S. military personnel to Egypt, where program activity surged dramatically, because section 515 limited security assistance personnel in Egypt to not more than six. At the same time, our proposal would accurately reflect current reality. Security assistance organizations must be able to perform a number of legitimate and important functions beyond those strictly related to the administration of security assistance programs. These functions include:

- Joint planning activities with allied and friendly forces;

- Promotion of rationalization, standardization, and interoperability objectives where appropriate;
- Host nation support; and
- Defense industrial cooperation.

Our proposal would amend current laws to facilitate the performance of these functions. Personnel levels would continue to be notified to Congress in the annual congressional presentation materials or directly to the authorization committees if numbers are increased over those justified in those documents. Language would be retained expressing the sense of Congress that training assistance should be performed primarily by personnel assigned for limited periods for specific tasks. The Department of State and Chiefs of Mission would retain overall control over the security assistance organization in the countries to which they are assigned.

Arms Transfers. We are proposing a number of changes in the requirements for certification to the Congress of proposed transfers under various provisions of the Arms Export Control Act and related legislation.

First, we recommend raising the reporting thresholds throughout the law for proposed FMS sales, commercial exports, third-party transfers, and leases of defense property, from \$7 million to \$14 million in major defense equipment and from \$25 million to \$50 million in other defense articles and services. As in so many areas of the economy, inflation has had a pronounced impact on the costs of military articles and services. The Defense Department procurement pricing index, for example, has increased approximately 59% since 1976, when these thresholds were last adjusted. As a result, notifications to the Congress have increased to a point where the more important proposals are being obscured by virtue of the sheer number of cases involved.

Raising the reporting thresholds, as we are suggesting, would allow more thorough review of truly important cases, while permitting better program management at a lower cost to the government. Dollar costs of equipment, after all, are merely a means of identifying those items whose transfer to other countries should be carefully reviewed to insure they are in our interests. We should not allow inflation, in and of itself, to skew this process and thereby impair its efficiency.

We are also proposing to exempt from the requirement for such certifications proposed FMS cases, commercial exports, and third-party transfers to NATO, NATO members, Japan, Australia, and New Zealand. In addition, we would remove the requirement enacted last year providing for a "legislative veto" over commercial exports reported under section 36(c).

These proposed changes are intended for the most part to facilitate achievement of NATO rationalization, standardization, and interoperability objectives and mutual standardization goals we have set with our ANZUS [security treaty among Australia, New Zealand, and the United States] partners and Japan. Increased NATO military effectiveness results from as free an exchange as possible of military equipment between the United States and the European members of NATO and among the European nations themselves. This is also the case with regard to Japan, Australia, and New Zealand. U.S. equipment purchases by these treaty allies enhance equipment commonality, which would enable the U.S. and allied military forces to fight more effectively in the event of war. Given overriding U.S. security interests in a strong NATO and close military ties with Japan, Australia, and New Zealand, we do not believe that the 50-day congressional review period (30 formal and 20 informal) for transfers to these countries is either necessary or desirable.

I might point out that over the past 5 years, the Congress has not objected to a single sale that would be exempted from specific review by virtue of the initiatives we are recommending.

Argentina-Angola Prohibitions.

The executive branch has long opposed prohibitions relating to specific countries in legislation governing security assistance programs, especially those that impose unnecessarily stringent restrictions on the President's ability to conduct an effective foreign policy. This has been the case even when these prohibitions reflect policy directions with which the executive branch is in agreement at the time of their passage. Circumstances change, and in our view, it is vitally important that U.S. foreign policy options not be circumscribed by inflexible statutory provisions.

For these reasons, we recommend repeal of Section 620B of the Foreign Assistance Act which prohibits all military sales and assistance to the Government of Argentina. Argentina's importance to U.S. national security and foreign policy interests stems primarily from its strategic location alongside vital lines of communication in the southern Atlantic and its natural resources. The prohibitions contained in section 620B have acted to frustrate serious dialogue with the Argentinians regarding mutual strategic concerns. Continuation of this situation is clearly not in our interest. Argentine requests to purchase defense articles and services would be reviewed on a case-by-case basis in the context of other appropriate legislation affecting such transfers and our overall foreign policy and security interests.

We are also recommending repeal of section 118 of the International Security and Development Cooperation Act of 1980, which substantially reenacted prior law prohibiting any assistance related to military or paramilitary operations in Angola unless the Congress specifically so authorizes in law. As such, it constitutes a unique and unusually all-encompassing restriction on U.S. policy options toward an individual nation. We are currently reviewing our African policy in consultation with all interested parties and it is our firm intention to seek viable diplomatic solutions to the problems of the southern African region.

Section 669. The final legislative proposal which I would like to highlight is our recommendation that the waiver authority contained in section 669 of the Foreign Assistance Act, which prohibits certain types of assistance to countries receiving nuclear enrichment transfers, be amended to conform with that contained in section 670 of the same act, which prohibits certain types of assistance to countries receiving nuclear reprocessing transfers or that detonate nuclear devices. This would have the effect of removing an anomaly in the law whereby countries engaged in transfers of reprocessing items are treated in a different manner from those transferring or receiving enrichment materials or technology. Moreover, our amendment would bring the waiver standards in section 669 into greater conformity with comparable provisions under the

Nuclear Nonproliferation Act. It would also assist the President in pursuing a consistent nonproliferation policy within the context of our overall national security interests.

Arms Transfer Policy

I am not yet prepared to discuss with you in detail our policy approach to conventional arms transfers. We are undertaking a review of arms transfer policy which will be completed in the near future. Let me just share a few general points with you regarding this Administration's views.

- Arms transfers should be viewed as a positive and increasingly important

component of our global security posture and a key instrument of our foreign policy;

- They must be responsive to the new security challenges we face in various parts of the world; and

- We must have a basic policy framework, supported by a managerial structure, to insure that arms transfers directly serve U.S. security interests. We recognize that neither restraint for its own sake nor a *laissez faire* approach to sales would properly serve these interests.

Finally, the diversity of U.S. interests and regional and country security situations in various parts of the world indicates to me that we need tailored approaches that take this diversity into account rather than attempting

to deal with all situations in a single global approach. Our policy must be balanced and reasonable, in accordance with our worldwide responsibilities. ■

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